

First border stores in Brazil could open by year-end

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José Luis Donagaray, Secretary-General of the South American Association of Duty Free Shops (ASUTIL)

The first border duty free store could be in operation in Brazil by the end of this year, now that Brazil's Federal Revenue and Customs Services has given the green light to a software program to track border business.

But expectations are that the larger regional duty-free operators will not begin doing business on the Brazilian side of the border until the second half of next year, according to José Luis Donagaray, Secretary-General of ASUTIL or the South American Association of Duty Free Shops.

In a media briefing Tuesday, Donagaray shared his perspectives on the border stores, the situations in

Brazil and Argentina, as well as next year's Summit of the Americas.

"In terms of the borders, the (Brazilian) Federal Revenue has released the software for the stores to operate," Donagaray said. "Although it is not 100 percent OK, it has been released and you can start to apply to get a temporary permit to operate a duty-free store in the cities by the border."

His expectation is that small, local Brazilian stores will be opening by the end of the year, but that the larger operators are waiting for some of the kinks to get worked out. "By the second semester there will be a lot of openings," he said.

Donagaray explained the big-name operators are targeting major Brazilian border cities with a stronger history of tourism, like Santana do Livramento, Foz do Iguacu and Uruguayana, although he refused to reveal which companies are looking at doing business on the Brazilian side of the border.

Operators will be able to open border stores in any of the 32 Brazilian towns and cities that share a border with Uruguay, Argentina, Colombia, Paraguay, Peru, Bolivia, Venezuela and several smaller countries.

But in a clear sign that things are moving along, Brazil's Federal Revenue Service will be offering a one-day workshop in Puerto Alegre on December 7th to introduce the software, discuss its operations and in general, let the duty-free community and interested parties know how things will work with the new border stores.

Donagaray said ASUTIL will attend that conference and also take advantage of the timing to host its annual assembly on December 6th.

Clearly, all eyes are on Brazil these days, with the election of political conservative Jair Bonsonaro, who takes office January 1st, and for ASUTIL, from the business perspective things are looking up. "The real (the Brazilian currency) is appreciating, and people have confidence in the new government," Donagaray said. In particular interest to ASUTIL, of course, is the fact that the incoming government is supportive of the border store initiative.

Further south in Argentina, the prognostic is not as exciting. Donagaray said the economy has stalled in Argentina because of an unstable dollar, a currency devaluation and a deficit. Earlier, there were estimates that business had fallen by as much as 25 percent.

However, Donagaray said the situation is improving. "There are no exact figures of Argentina. They are having a recovery. In terms of the borders, now the sales are about the same as March, April of this year. Official recovery is happening, but it is slow.

One helpful change is the fact that Brazil, Argentina, Uruguay and Paraguay are on the same page with a \$500 luggage allowance in each of the four countries. Previously, the countries had different ceilings for their nationals, which made it difficult for people traveling in the region.

In other news, Donagray said registration is now open for participants and vendors at the March Summit of the Americas, which ASUTIL is hosting jointly with the International Association of Airport and Duty Free Stores (IADDFS) in Orlando. The program is about 90 percent complete, he said, and once this is finalized information about speakers and events will go public.

As far as the duty-free industry itself, Donagray said there is no change in terms of which categories have the best numbers. "Cosmetics continues to be the most popular. ... alcohol and afterwards, chocolates," he said.

